

The Loan Arranger



Fall 1998

Municipal Facilities Section - Environmental Assistance Division
Michigan Department of Environmental Quality **DEQ**

"Strengthening Our Foundation"

By Marshall Labadie

The Drinking Water Revolving Fund (DWRF) has successfully completed its first funding cycle by loaning \$53.24 million to 24 applicants. The program is now awaiting EPA's capitalization grant, and with finalization of the Fiscal Year (FY) 1999 Project Priority List (PPL), will permit designation of an FY99 fundable range. The popularity of this program continues to grow with 41 projects seeking \$119 million in FY99.

The DWRF program, like any other assistance program, must be evaluated from time to time to see if it is achieving its goals and improving its mode of operation. Evaluating the DWRF program on a regular basis will ensure its integrity, equity to customers, and future success. On September 16, 1998, the Drinking Water and Radiological Protection Division (DWRPD) and the Municipal Facilities Section, who jointly administer the program, held an in-service meeting to examine the DWRF program.

The purpose of the in-service meeting was to review the progress of the DWRF program to date, and to discover ways to enhance its operation, inter-divisional communication, and customer relations. The in-service offered an opportunity for staff to see presentations explaining certain program policies and procedures. These policies and procedures were explained as proactive steps to improve project management and to avoid possible misinterpretations. The policies and procedures expounded upon were the guidance for test wells; the segmenting and phasing of projects (as outlined in the FY99 Intended Use Plan); fire protection as it relates to eligibility of project costs; growth; and the role of regional planning agencies. The explanations presented at the in-service will be formalized in writing upon the approval of the joint management team. In addition, they will be added to our guidance and planning documents and disseminated to staff, current and future applicants, engineering firms, and other interested parties.

The in-service also allotted time for the participants to discuss program communication, scheduling, and reporting. A small group format was utilized to brainstorm ideas on how to improve project plan review communication, the plan and specification review process, milestone schedule coordination, and how to refine the PPL to make it more user friendly. The ideas and solutions suggested by the groups focused on ways to simplify customer participation, increase administrative efficiency, and refine client reporting. These ideas will be further debated and, in time, will become part of our standard operating procedures.

The outcome of the in-service is strengthened program administration and customer service, leading to the ultimate protection and preservation of public and environmental health. The success of the in-service comes from the hard work and dedication of our in-service core group who spent many hours developing the schedule and the detailed explanations of the aforementioned policies and procedures. Also, special thanks must go out to the divisional staff who attended the in-service and to the individuals who made the presentations. And last but not least, a special thanks goes to you, our valued customers, who have contributed to the DWRF's initial success and brought program issues to light.

This evaluation of the DWRF is not a one-time endeavor. A continued effort will be made to solicit feedback from our external customers on a regular basis to ensure the future success of the program, in our effort to protect Michigan's public and environmental health.

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Michigan Department of Environmental Quality

SRF and DWRF have Big Finish in the Fourth Quarter

The Michigan Department of Environmental Quality awarded \$87,395,000 in Fourth Quarter loans from the State Revolving Fund for nine wastewater treatment projects. In addition, 20 Fourth Quarter loans were approved from the Drinking Water Revolving Fund for upgrading public water supply and distribution systems, totaling \$48,450,000. Following are the communities receiving loans, a brief description, and the loan amounts:

SRF 4th Quarter Projects

Sault Ste. Marie	sewer separation	\$ 3,820,000
Wayne County-Downriver	tunnel dewatering pump station	16,865,000
Wayne County-Wyandotte	disinfection/outfall connection	11,915,000
Escanaba	sludge storage tank at the wastewater treatment plant	1,040,000
Royal Oak	12 Towns North Arm relief sewers	15,800,000
Southfield	collection sewers	1,975,000
South Huron Valley Utility Authority	expansion of the wastewater treatment plant	26,615,000
Ottawa County-Allendale Township	expansion of the wastewater treatment plant	4,785,000
Mt. Clemens	combined sewer overflow control	4,580,000

DWRF 4th Quarter Projects

Hudsonville	replace mains	\$ 500,000
Frankfort	new well, upgrades to water system	1,775,000
Van Buren County-Paw Paw	replace mains, looping	830,000
Marine City	new elevated storage tank	1,155,000
Manchester	replace mains, looping	620,000
Mt. Clemens	water treatment plant upgrades	2,155,000
Summit Township, Jackson County	two new wells, elevated tank, looping	4,630,000
Rockford	two new wells, upgrades, looping	2,440,000
Blissfield	replace water treatment plant, new intake	6,485,000
Coopersville	replace mains	750,000
Breckenridge	new well, connection main	330,000
Oxford	replace mains	1,895,000
Flushing	replace mains	2,045,000
Wixom	distribution extension, elevated tanks	3,895,000
Otisville	new well and connection main	375,000
Lansing Township, Ingham County	replace mains, purchase existing mains	425,000
Lapeer County-Dryden	replace mains, looping, new well	1,155,000
Ypsilanti Community Utility Authority	replace mains	4,935,000
St. Clair County-Algonac and Clay Township	new intake, pump station, storage tanks	7,900,000
Sault Ste. Marie	replace mains, looping	4,155,000

This has been the busiest year to date for the SRF, with \$126,925,000 awarded to 18 projects; and the very first year in implementing the new DWRF, which resulted in 24 projects totaling \$53,240,000. To date, the SRF has assisted 148 projects with loans totaling \$833,805,000. Other projects funded this fiscal year include:

SRF Projects

Manistee (1st Quarter)	sewer separation	\$ 525,000
Frankenmuth (2nd Quarter)	relief sewer, WWTP upgrades, pump station	6,645,000
Manistee (3rd Quarter)	sewer separation	2,715,000
Centreville (3rd Quarter)	WWTP upgrade and expansion	1,995,000
Kent City (3rd Quarter)	sewer rehabilitation and WWTP improvements	1,260,000
Saginaw (3rd Quarter)	sewer separation	7,930,000
Mt. Clemens (3rd Quarter)	sewer separation	5,305,000
Van Buren County-Lawton (3rd Quarter)	WWTP upgrades	1,900,000
Lansing (3rd Quarter)	sewer separation, Lansing Avenue pump station	11,255,000

DWRF Projects

Carrollton Township	replace mains	\$ 2,165,000
Mt. Clemens	replace mains, looping	855,000
Ottawa County-Polkton Township	distribution extension	395,000
Washtenaw County-Saline	main replacement and new well	1,375,000

Interest Rate Methodology Established for Private Water Suppliers

By Ed Moyer

One of the major program differences between the State Revolving Fund (SRF) and the Drinking Water Revolving Fund (DWRF) is that assistance is available to non-municipal entities. In the SRF only municipalities may apply, but in the DWRF we will also fund such private users as manufactured housing communities and apartment buildings.

Noting that the rates of interest on the open market are different for these two types of entities, the Municipal Facilities Section (MFS) examined the impacts of setting the interest rate for the DWRF when it prepared the Fiscal Year (FY) 1999 Intended Use Plan.

The issue concerned whether or not non-municipal borrowers should pay the same rate of interest as the municipal applicants. Early in the DWRF development, the MFS took the position that the rates would be slightly different. 1997 PA 26 sets forth the criteria to be used in establishing interest rates. These criteria included examination of present demand, future demand, the cost of program compliance, and market conditions.

Demand for DWRF assistance has been much greater than originally expected. After larger initial federal capital contributions, the amount anticipated to be available each year in Michigan is around \$25 million. In addition, since Internal Revenue Service limitations on tax-exempt bonds restrict private activity uses, the DEQ and the Michigan Municipal Bond Authority will use direct funds, rather than including non-municipal borrowers in a tax-exempt pooled financing.

Since current market conditions require municipal borrowers to pay around 5.15 percent and non-municipal's to pay close to 7.5 percent, the MFS developed a strategy which will provide equal amounts of subsidy to both types of users.

Each year, in preparation for the DEQ Director's determination of the interest rates, the MFS will first examine the 20-Bond General Obligation Municipal Bond Index published by THE BOND BUYER. The average for the 26 weeks preceding the release of the draft Intended Use Plan will be calculated to determine the market rate for municipal borrowers. The other criteria established by law will be accounted for and an interest rate will be recommended for municipal applicants.

Once this municipal rate of interest is identified, the MFS will compare it to market and isolate the percentage of subsidy it provides. The interest rate for the non-municipal DWRF applicants will be backed down from the 26 week average of federal Treasury Bills, plus 1.5 percent, until the DWRF interest rate for such users equals the subsidy percentage for municipalities. This

recognizes the typical commercial rate for good credit customers and results in a lower-than-market recommendation to the Director of the DEQ.

For FY 1999, the established rates are 2.5 percent for municipal borrowers and 4.94 percent for non-municipal water suppliers who qualify for DWRF assistance. Questions about the interest rates or the methodology used to establish them may be directed to Edward Moyer at 517-373-4737 or MOYERE@state.mi.us.

Technical Support Unit Reassignments

After serving in the Municipal Facilities Section (MFS) for 17 years, Ena Lindberg left the Technical Support Unit (TSU) to assume new responsibilities in the Environmental Assistance Center (EAC). Her knowledge of the DEQ and her experience in database management will make her a welcome addition to the EAC staff.

With her departure, other staff in the TSU will pick up new responsibilities in addition to their existing assignments. Kyoko Wandell, who currently handles disbursement of payments for the SRF and the DWRF, will take over more of the data input functions previously performed by Ms. Lindberg.

Anshu Varma and Bob Schneider, both currently responsible for review of municipal revenue systems, will also have expanded duties. Ms. Varma will now coordinate both the Minority/Women's Business Enterprise reporting for MFS programs, and Michigan's efforts in the upcoming national needs survey. Mr. Schneider is now responsible for preparation of program reports, such as the Intended Use Plans and Annual Reports for the SRF and DWRF.

Future plans call for filling the vacancy left by Ms. Lindberg's departure with another department analyst to assist with the existing workloads and begin developing a Geographical Information System for MFS project management. Ed Moyer is the manager of the TSU. You may reach him at 517-373-4747.

FISCAL YEAR 1999 INTEREST RATES SET
State Revolving Fund 2.5 Percent (2.5%)
Drinking Water Revolving Fund 2.5 Percent (2.5%)
DWRF Private Water Suppliers 4.94 Percent (4.94%)

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